

TOWNSHIP OF BATAVIA
BRANCH COUNTY, MICHIGAN
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Batavia Township	County Branch
Fiscal Year End March 31, 2006	Opinion Date September 21, 2006	Date Audit Report Submitted to State September 27, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

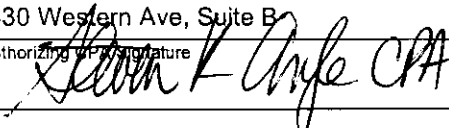
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Angle & Steffes, P.C.		Telephone Number 269-686-9050		
Street Address 430 Western Ave, Suite B		City Allegan	State MI	Zip 49010
Authorizing Signature 		Printed Name Steven K. Angle, CPA		License Number 14653

ANGLE & STEFFES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
American Institute of Certified
Public Accountants (AICPA)

Michigan Association of Certified
Public Accountants (MACPA)

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September 21, 2006

In planning and performing the audit of the Basic Financial Statements of the Township of Batavia for the year ended March 31, 2006, we considered the Township's internal control structure to determine audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

Uninsured Cash Balances

We noted that the Township does vary its cash accounts between a number of banks, however, \$31,668 cash balances are not insured. The Township should shift funds so that the demand and savings balances are not concentrated heavily in one bank. We recommend no more than \$200,000 be held in one bank, and limits within each bank of \$100,000 checking and \$100,000 savings balances to avoid risk of uninsured losses.

Payroll Reporting


Our payroll testing noted that the Forms 941 did not agree to the Forms W-3 and W-2 for the calendar year ended December 31, 2005. A review of payroll reporting procedures is required to ensure that all wages and required payroll taxes are properly balanced, paid, and reported for all payroll reporting entities.

General

In general the internal control systems of the Township are good and functioning properly. The comments noted above will help the Township strengthen the existing controls and will help provide greater accountability to residents of the Township.

We greatly appreciate the help and cooperation given us by all the Township employees and officials.

Respectfully submitted,


Angle & Steffes, P.C.
Certified Public Accountants

TOWNSHIP OF BATAVIA

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INDEPENDENT AUDITOR'S REPORT

September 21, 2006

To the Township Board
Township of Batavia
Branch County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Batavia, Branch County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Batavia Township, Branch County, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Batavia as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Governments, as of March 31, 2004.

The management's discussion and analysis and budgetary comparison information on pages 2 and 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,


Angle & Steffes, P.C.
Certified Public Accountants

Management's Discussion and Analysis Batavia Township, Branch County

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Overview of Township Funding and Operation

In spite of a slight State Revenue Sharing decrease, General Fund Revenues increased almost \$5700 in FY 2005-2006, due mainly to increases in taxes collected, sales of cemetery lots, interest income, refunds and reimbursement.

Normally, Township operating costs are consistent from year to year. A two-mile paving project (Parham Road), and about three miles of road re-graveling accounted for 53% of Township General Fund expenditures this year. This cost was \$118,264, along with \$18,188 of maintenance transfer from our Road Commission carryover account. In order to maintain a healthy General Fund Balance this coming year, road construction work will be held to approximately \$30,000 in FY2006-2007.

We do not anticipate any increase in State Revenue Sharing for the 2006-2007 year. Any increase in revenue will likely come from taxes and interest on invested funds. Other than a personnel and equipment transport vehicle for the fire department, we don't have any major capital expense obligations on the horizon.

A new four-inch water well was installed this year. Also, the electrical service panel was replaced with a larger one, and dedicated outlets were installed for the new optical scanning voting machines.

Conservative budgeting keeps the Township Treasury in a very healthy position. We have been able to maintain a General Fund Balance of at least the same amount as the annual Township Revenues.

The majority of Township revenues come from State Revenue Sharing (67%) and taxes (23%). Interest, cablevision fees and permits make up most of the remaining revenues. Other than the two Trust and Agency accounts, which are used to collect and disburse property taxes and mobile home taxes, the General Fund is the only fund used and all accounts are settled through it. Due to the Township's predominately agricultural base, and zoning to that effect, not very much industry, commercial or residential development takes place. Due to a conservative approach by the Board and controlled spending, the Township Board has not approved the Headlee Override.

Contacting the Township's Management

This financial report is to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

TOWNSHIP OF BATAVIA
GOVERNMENT WIDE STATEMENT OF NET ASSETS
MARCH 31, 2006

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 187,107	\$ 187,107
Investments	0	0
Receivables - net	21,438	21,438
Prepays	6,584	6,584
Capital assets - net	<u>18,437</u>	<u>18,437</u>
 Total Assets	 <u>233,566</u>	 <u>233,566</u>
LIABILITIES		
Accounts payable	0	0
Accrued and other liabilities	0	0
Noncurrent Liabilities		
Due within one year	0	0
Due in more than one year	<u>0</u>	<u>0</u>
NET ASSETS		
Invested in Capital Assets		
Net of related debt	18,437	18,437
Restricted For		
Streets and highways	0	0
Public safety	0	0
Unrestricted	<u>215,129</u>	<u>215,129</u>
 Total Net Assets	 <u>\$ 233,566</u>	 <u>\$ 233,566</u>

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BATAVIA
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
					Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government							
General government	50,408	1,575	0	0	(48,833)	0	(48,833)
Public safety	21,480	875	0	0	(20,605)	0	(20,605)
Public works	135,800	0	0	0	(135,800)	0	(135,800)
Health and welfare	0	0	0	0	0	0	0
Community/Economic development	9,010	0	0	0	(9,010)	0	(9,010)
Recreation and culture	0	0	0	0	0	0	0
Total Governmental Activities	216,698	2,450	0	0	(214,248)	0	(214,248)
Total Primary Government	\$ 216,698	\$ 2,450	\$ 0	\$ 0	(214,248)	0	(214,248)
General Revenues							
Property taxes					38,138	0	38,138
State-shared revenues					109,284	0	109,284
Unrestricted investment earnings					4,110	0	4,110
Rental income					3,719	0	3,719
Miscellaneous					1,887	0	1,887
Transfers					0	0	0
Total General Revenues-Special Items and Transfers					157,138	0	157,138
Change in Net Assets					(57,110)	0	(57,110)
Net Assets-Beginning					290,676	0	290,676
Net Assets-Ending					\$ 233,566	\$ 0	\$ 233,566

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BATAVIA
GOVERNMENTAL FUND BALANCE SHEET
March 31, 2006

	General Fund	Total Governmental Fund
ASSETS		
Cash and cash equivalents	\$ 187,107	\$ 187,107
Investments	0	0
Receivables - net	21,438	21,438
Prepays	6,584	6,584
	<hr/>	<hr/>
Total Assets	215,129	215,129
	<hr/>	<hr/>
LIABILITIES		
Accounts payable	0	0
Due to other funds	0	0
	<hr/>	<hr/>
Total Liabilities	0	0
	<hr/>	<hr/>
FUND BALANCES		
Reserved for		
Unreserved	215,129	215,129
	<hr/>	<hr/>
Total Fund Balances	<u>\$ 215,129</u>	\$ 215,129

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	<u>18,437</u>
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Net Assets of Governmental Activities	<u>\$ 233,566</u>
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TOWNSHIP OF BATAVIA
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
March 31, 2006

	General Fund	Total Governmental Funds
Revenues		
Taxes and penalties	38,138	38,138
Licenses and permits	875	875
State aid	109,284	109,284
Charges for services	1,575	1,575
Interest and rentals	7,829	7,829
Other revenue	1,887	1,887
	<hr/>	<hr/>
Total Revenues	159,588	159,588
Expenditures		
Current		
General government	50,196	50,196
Public safety	21,480	21,480
Public works	135,800	135,800
Health and welfare	0	0
Recreation and cultural	0	0
Community/Economic development	9,010	9,010
Capital outlay	5,736	5,736
	<hr/>	<hr/>
Total Expenditures	222,222	222,222
Excess of Revenues Over (Under)		
Expenditures	(62,634)	(62,634)
Other Financing Sources (Uses)		
Transfers in	0	0
Transfers (out)	0	0
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	0	0
	<hr/>	<hr/>
Excess of Revenue and Other Sources Over (Under)		
Expenditures and Other Uses	(62,634)	(62,634)
	<hr/>	<hr/>
Fund Balance-April 1, 2005	277,763	277,763
	<hr/>	<hr/>
Fund Balance-March 31, 2006	\$ 215,129	\$ 215,129
	<hr/>	<hr/>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF BATAVIA
FIDUCIARY FUNDS-STATEMENT OF NET ASSETS
MARCH 31, 2006**

	Agency Fund (Property Tax Collection Fund)	Trust & Agency Fund
ASSETS		
Cash and cash equivalents	\$ 0	\$ 0
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>
LIABILITIES		
Accounts payable	\$ 0	\$ 0
Due to other governmental units	<u>0</u>	<u>0</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>

**TOWNSHIP OF BATAVIA
BRANCH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Batavia, Branch County, Michigan is a general law Township. The Township operates under an elected Board/Supervisor form of government and provides the following services as authorized by its charter: public safety, highways and street, public improvements, cultural recreation, planning and zoning, and administrative services.

The accounting policies of the Township of Batavia conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. The Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**TOWNSHIP OF BATAVIA
BRANCH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**TOWNSHIP OF BATAVIA
BRANCH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule would be charges between the government's enterprise funds and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Township of Batavia does not have enterprise funds.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Finally, the government reports the following fund types:

The two Tax Collection Funds are Fiduciary Funds accountable for assets held by the Township in a trustee or agency capacity for individuals, private organizations, other governments, and/or other funds.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed. Summer State Education Tax was collected directly by the County.

**TOWNSHIP OF BATAVIA
BRANCH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Inventories and Prepaid Items-Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	30 to 40 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Fire Equipment	07 to 25 years
Vehicles	03 to 05 years
Office Equipment	05 to 07 years
Computer Equipment	03 to 07 years

Compensated Absences (Vacation and Sick Leave)-It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Fund Equity-In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**TOWNSHIP OF BATAVIA
BRANCH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Government-wide financial statements differ from the Governmental fund financial statements only for the effect of the inclusion of capital assets.

Capitalized Asset Costs	\$ 29,044
Less Accumulated Depreciation	<u>(10,607)</u>
Capital Assets, net	18,437
Governmental Fund Balances	<u>215,129</u>
Net Assets of Governmental Activities	<u>\$ 233,566</u>

**TOWNSHIP OF BATAVIA
BRANCH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information-The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year. These budgets are adopted on a basis consistent with generally accepted accounting principles.
2. The Township Board approves, by ordinance, total budget appropriations only. Any revisions that alter the total appropriations of any fund must be approved by the Township Board, therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc.).
3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds-During the year, the Local Governmental Unit did not incur expenditures in certain budgeted funds which were in excess of the amounts appropriated.

Fund Deficits-The Local Governmental Unit has no accumulated fund balance deficits at this time.

**TOWNSHIP OF BATAVIA
BRANCH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 4 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated several banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 187,107	\$ 187,107

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 187,107
Investments in Securities, Mutual Funds and Similar Vehicles	-
Petty Cash and Cash on Hand	-
Total	<u>\$ 187,107</u>

The bank balance of the primary government's deposits is \$187,107, of which \$155,439 is covered by federal depository insurance.

**TOWNSHIP OF BATAVIA
BRANCH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's individual major, nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are reported in the Government Wide Statement of Net Assets as follows:

	<u>Major Fund</u>	
	<u>General Fund</u>	<u>Total</u>
Taxes receivable	\$ 3,858	\$ 3,858
State share revenue receivable	\$ 17,580	\$ 17,580
Less: allowance for uncollectibles	<u>0</u>	<u>0</u>
Net Receivables	<u>\$ 21,438</u>	<u>\$ 21,438</u>

**TOWNSHIP OF BATAVIA
BRANCH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 10,108	0	0	\$ 10,108
Construction in Progress	0	0	0	0
Subtotal	<u>10,108</u>	<u>0</u>	<u>0</u>	<u>10,108</u>
Capital Assets Being Depreciated				
Buildings & improvements	6,600	0	0	6,600
Machinery and equipment	6,600	5,736	0	12,336
Infrastructure	0	0	0	0
Subtotal	<u>13,200</u>	<u>5,736</u>	<u>0</u>	<u>18,936</u>
Less Accumulated Depreciation for				
Buildings	3,795	165	0	3,960
Machinery and equipment	6,600	47	0	6,647
Subtotal	<u>10,395</u>	<u>212</u>	<u>0</u>	<u>10,607</u>
Net Capital Assets Being Depreciated	<u>2,805</u>	<u>5,524</u>	<u>0</u>	<u>8,329</u>
Governmental Activities Capital Total				
Capital Assets-Net of Depreciation	<u>\$ 12,913</u>	<u>\$ 5,524</u>	<u>\$ 0</u>	<u>\$ 18,437</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General government	\$ 212
Public safety	0
Public works	0
Economic development	0
Recreation and culture	0
Total Governmental Activities	<u>\$ 212</u>

TOWNSHIP OF BATAVIA
BRANCH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 7 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

The composition of interfund balances is as follows:

Due To/From Other Funds			
<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General	\$ 0	Tax Collection	\$ 0
Total	<u>\$ 0</u>		<u>\$ 0</u>

NOTE 8 - BRONSON RURAL FIRE ASSOCIATION

Batavia Township contracts fire protection services from the Bronson Rural Fire Association; as a member with Bethel, Bronson, Gilead, Matteson and Noble Townships, and Bronson City. Member fees are determined by an average fire run count and a percent of State Equalized Value of township properties. The contract for the 2005-2006 year was \$22,980.

REQUIRED SUPPLEMENTAL INFORMATION

**TOWNSHIP OF BATAVIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2006**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	\$ 277,763	\$ 277,763	277,763	0
Resources (Inflows)				
Property taxes	36,000	36,000	38,138	2,138
State aid	102,500	102,500	109,284	6,784
Licenses and permits	500	500	875	375
Charges for services	300	300	1,575	1,275
Interest and rentals	5,100	5,100	7,829	2,729
Miscellaneous revenues	400	400	1,887	1,487
Transfers from other funds	0	0	0	0
Amounts Available for Appropriation	422,563	422,563	437,351	14,788
Charges to Appropriations (Outflows)				
General Government				
Township board	12,030	13,364	12,413	952
Supervisor	7,475	7,475	7,253	222
Finance	600	600	0	600
Treasurer	10,500	10,500	8,402	2,098
Assessing	8,800	9,025	8,988	37
Clerk	8,100	8,100	7,525	575
Elections	1,500	1,500	564	936
Board of review	800	925	856	69
Other General Government				
Building and grounds	1,150	1,150	854	296
Cemetery	3,700	4,067	3,341	726
Public Safety				
Fire	23,000	23,000	21,480	1,520
Public Works				
Roads/Street lights	140,000	140,000	133,695	6,305
Drain	4,000	4,000	2,105	1,895
Community & economic development	9,700	9,755	9,010	745
Capital outlay	10,000	10,000	5,736	4,264
Transfers to other funds	0	0	0	0
Total Charges to Appropriations	241,355	243,461	222,222	21,239
Budgetary Fund Balance-March 31	<u>\$ 181,208</u>	<u>\$ 179,102</u>	<u>\$ 215,129</u>	<u>\$ 36,029</u>

ANGLE & STEFFES, P.C.

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September 21, 2006

In planning and performing the audit of the Basic Financial Statements of the Township of Batavia for the year ended March 31, 2006, we considered the Township's internal control structure to determine audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

Uninsured Cash Balances

We noted that the Township does vary its cash accounts between a number of banks, however, \$31,668 cash balances are not insured. The Township should shift funds so that the demand and savings balances are not concentrated heavily in one bank. We recommend no more than \$200,000 be held in one bank, and limits within each bank of \$100,000 checking and \$100,000 savings balances to avoid risk of uninsured losses.

Payroll Reporting

Our payroll testing noted that the Forms 941 did not agree to the Forms W-3 and W-2 for the calendar year ended December 31, 2005. A review of payroll reporting procedures is required to ensure that all wages and required payroll taxes are properly balanced, paid, and reported for all payroll reporting entities.

General

In general the internal control systems of the Township are good and functioning properly. The comments noted above will help the Township strengthen the existing controls and will help provide greater accountability to residents of the Township.

We greatly appreciate the help and cooperation given us by all the Township employees and officials.

Respectfully submitted,


Angle & Steffes, P.C.
Certified Public Accountants